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INTRODUCTION

The Office of Internal Audit performed an audit of Ingham County FIA for the period January 1, 2002 through March 11, 2003. The objective of our audit was to determine if internal controls in place at the local office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Family Independence Agency (FIA) are being followed. Ingham County FIA had 257 full time equated positions (FTE's) at the time of our review. Ingham County FIA provided assistance to an average 19,307 recipients per month in FY 2001, with total assistance payments of \$288,090,929 for the fiscal year.

SCOPE

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at Ingham County FIA, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. Our audit included the following:

Cash Receipts

Cash Disbursements

General Ledger

Modified Accrual Basis Balance Sheet

Safe and Controlled Documents

State Emergency Relief (SER)

Direct Support Services

Client Processing

CIMS/ASSIST/LASR

IRS Information Security

Payroll and Timekeeping

Procurement Card

EXECUTIVE SUMMARY

Based on our audit, we conclude that Ingham County FIA internal controls need improvement in order to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization. Client Information Management System access and security and ASSIST and LASR system security need improvement to strengthen controls. Controls over supporting documentation for all disbursements and the release of checks issued at the Local Office also need improvement.

We were informed at the exit conference that local office fiscal staff has been instructed to discontinue the practice of releasing checks to staff.

LOCAL OFFICE RESPONSE

The management of Ingham County FIA has reviewed all findings and recommendations included in this report. They indicated in a memorandum dated May 7, 2003 that they are in general agreement with the report.

Cash Receipts

Mail Collection at the Post Office

1. Ingham County FIA has one staff pick up the mail at the Post Office in the morning.
The mail is placed in unlocked bags and containers by the Post Office. The Primary Internal Control Criteria for FIA Local/District Offices dated June 2002 (Internal Control Criteria); page 34, requires two staff to pick up the mail unless the mail is placed in a secured bag or container by the Post Office.

Requiring two staff to pick up the mail or using secured mailbags provides assurance that cash and negotiable instruments received in the mail are not lost or diverted for personal use.

WE RECOMMEND Ingham County FIA have two staff pick up the unsecured mail at the Post Office or have the Post Office place the mail in a secured bag or container.

Cash Disbursements

Supporting Documentation for Local Office Payments

2. Ingham County FIA staff did not always submit the appropriate documentation to the Fiscal Office for payments made at the Local Office. We found that the documentation for 34 of 52 payments for activities 011 (SER) and 018 (Family Reunification) were photocopies of an invoice/bill, and an additional six were the FIA-223 (Documentation Record). In addition, we found that documentation attached for 25 of 44 payments for activity 016 (Direct Support Services) were photocopies, and an additional 3 were the FIA-223. Internal Control Criteria page 37, requires original bills and invoices for vendor payments to be filed with the check copy in the local accounting unit.

Attaching the original bill/invoice for the amount to be paid to the Fiscal Office copy of the payment authorization helps to ensure that payments are accurate and appropriate.

WE RECOMMEND Ingham County FIA attach the original bill/invoice to the Fiscal Office copy of the Payment Authorization.

General Ledger

No findings in this area

Modified Accrual Basis Balance Sheet

No findings in this area

Safe and Controlled Documents

Access to the Fiscal Office

3. Ingham County FIA did not restrict access to the Fiscal Office. Staff were allowed in the Fiscal Office to pick up keys for vehicles and other purposes. The keys and logs for the vehicles are maintained in an area near the vault. The door to the vault is kept closed and locked during work hours, however the key to the door is occasionally left in the door's lock.

Internal Control Criteria page 33 states that only authorized fiscal staff and supervision should be allowed access to the Fiscal Office.

WE RECOMMEND Ingham County FIA restrict access to the Fiscal Office to fiscal staff and supervision.

State Emergency Relief

Supporting Documentation for Payments

4. Ingham County FIA did not follow established procedures for State Emergency Relief (SER) payments submitted to the Fiscal Office for reconciliation with the FIA-849, 93(A) Issuance Report (ES-440). A review of 114 transactions on the December 2002 ES-440 Report disclosed forty-nine (42%) payments that had copies

of the invoice or bill rather than the original documentation attached to the Authorization Invoice (FIA-849) on file in the Fiscal Office.

Accounting Manual Item 404 and Internal Control Criteria page 19 require an original invoice/bill or Fax (with vendor identification) to be attached to the FIA-849/screen print forwarded to the Fiscal Office for reconciliation to the ES-440 report. If these are not available a Documentation Record (FIA-223) with name of vendor contact, telephone number, date, time of contact, and amount necessary to resolve the emergency is to be attached to the FIA-849/screen print.

Attaching the original invoice/bill/fax for the amount to be paid to the Fiscal Office copy of the FIA-849/screen print helps to ensure that payments are accurate and appropriate.

WE RECOMMEND Ingham County FIA attach the original invoice/bill/fax to the Fiscal Office copy of the Authorization Invoice (FIA-849) that is used for reconciliation purposes.

Direct Support Services

Releasing Direct Support Services Checks to FIS/ES Staff

5. Ingham County FIA did not establish adequate control over Direct Support Services checks that were to be released to the client. FIS/ES staff indicated on the FIA-4663 (Employment and Training Expenditure Authorization) whether a check was to be mailed or picked up at the Local Office by the vendor or customer. Customers and vendors were required to sign a copy of the check that is filed in the Fiscal Office when they picked up the check. For three payments issued in April, May, and July 2002 instructions on the FIA-4663 stated “customer pickup”. However the check

copy on file in the Fiscal Office had the signature of the ES staff that originated the disbursement, indicating the check was released to the ES staff.

Internal controls over the disbursement process are weakened when checks are released to the staff who originated/authorized the payment.

WE RECOMMEND Ingham County FIA discontinue the practice of releasing local office checks for customers or vendors to FIS/ES staff.

Vehicle Repair in Excess of Policy

6. Ingham County FIA did not follow established Direct Support Services policy for one vehicle repair payment. In July 2002 a payment of \$1,436.00 to repair a customer's vehicle had \$900.00 charged to account #806550 (vehicle repair) and \$536.00 charged to account #806850 (family support services). A notation on the invoice stated "Vehicle has very low oil pressure and is need of a new engine." Examination of the case record disclosed the notation "rebuilt and lost 11/02." There were no eligibility or disbursement documents relating to this disbursement in the case record.

Program Eligibility Manual Item 232, page 10, states that repairs can not exceed \$900.00 including any repairs done in the previous 12 months and that the repair is expected to make the vehicle safe and roadworthy.

WE RECOMMEND Ingham County FIA review this payment and case record to determine the reason why the repairs were approved and why the \$536.00 was charged to family support services.

Customer Eligibility for Direct Support Services

7. Ingham County FIA did not establish customer eligibility for Direct Support Services for at least three payments. We selected 17 of 44 payments for examination of the case record. One case had been transferred to another county, and another one had been closed and could not be located. One case record had been lost and rebuilt. This is the same case identified in finding # 6.

Three of the case records examined had no documents in the case record relating to the payment. Further review of other case record documents indicated that the customers might not have been eligible to receive the direct support services.

Program Eligibility Manual Item 232 describes the eligibility requirements required in order for a customer to receive Direct Support Services. Failure to document eligibility for Direct Support Services increases the risk that the customer was not eligible for the service.

WE RECOMMEND Ingham County FIA review the case records in question to determine customer eligibility and validity of the payments, and take appropriate action.

Client Processing

No findings in this area

CIMS/ASSIST

CIMS and ASSIST Enrollment Profile/Security Agreements

8. Ingham County FIA did not have current and accurate Client Information Management System (CIMS) Security Agreements (FIA-3974A) or ASSIST

Enrollment Profiles (FIA-3720) and Security Agreements (FIA-3721) on file for staff who access CIMS and ASSIST.

Our review disclosed forms that were not signed by staff or supervision; staff with name changes that did not have new forms prepared; status codes on the Operator Identification Report (PF-011) and job types on the Monthly User Listing (VB9-554) that were different than reported on the forms; and staff included on the reports who did not have forms on file.

L-Letter L-97-063 requires an FIA-3974A or FIA-3720 and FIA-3721 to be prepared for all new users of CIMS and ASSIST and for all current operators each time an enrollment change is proposed.

WE RECOMMEND Ingham County FIA ensure that all staff who access CIMS and ASSIST have accurate, up-to-date Security Agreements and Enrollment Profiles on file.

Incompatible ASSIST Job Types

9. Ingham County FIA had assigned ASSIST job types that were incompatible. Six ES staff had been assigned job types 240 (ES) and 360 (RSS), and one clerical-transfer staff had been assigned 240/270 (ES/FIS) and 360 (RSS) job types on ASSIST.

Internal Control Criteria page 13 states that no one person should have 240/270/280 and 360 or 370 job types.

Assigning staff ASSIST job types that allow them to register and open cases on ASSIST does not allow for the proper separation of duties.

WE RECOMMEND Ingham County delete the ASSIST 360 job type from the ES staff and the 240/270 ASSIST job type from the clerical-transfer staff.

Inconsistent CIMS Status and ASSIST Job Types for Fiscal Staff

10. Ingham County FIA had assigned Client Information Management System (CIMS) status levels that were inconsistent with staff job responsibility. Three fiscal staff had been assigned “FLM” status on CIMS. Two staff also had ASSIST job type 360 (RSS) on ASSIST.

Internal Control Criteria page 65 states that fiscal staff should be assigned only inquiry status on CIMS and should not have file maintenance capability on CIMS or registration capability in ASSIST. If they are assigned a status level above inquiry on CIMS or registration capability on ASSIST all of their transactions appearing on the MA-010 (Transaction Control Report) are to be reviewed.

Assigning fiscal staff a CIMS status or ASSIST job type that allows the staff to register and open cases does not allow for the proper separation of duties.

WE RECOMMEND Ingham County FIA either change the CIMS status and ASSIST job types of the fiscal staff to inquiry only or have independent staff review any fiscal staff transactions that appear on the MA-010 Report.

Inconsistent CIMS Status and ASSIST Job Type for the Section Manager

11. Ingham County FIA had assigned the Section Manager “BUR” status on the Client Information Management System (CIMS) and ASSIST job type 270 (FIM) on ASSIST. The Section Manager currently reviews the MA-010 for FIM transactions.

However, no one at Ingham County FIA reviews the MA-010 report for transactions processed by the Section Manager.

Internal Control Criteria page 65 states that there should be appropriate separation of duties for both CIMS and ASSIST access capability.

Assigning the Section Manager a CIMS status or ASSIST job type that allows for the registering and opening of cases does not allow for the proper separation of duties.

WE RECOMMEND Ingham County delete the Section Managers' "BUR" status on CIMS and the 270 (FIM) job type on ASSIST.

Reconciliation of the ASSIST Security Officer's Log Report (VB9-173)

12. Ingham County FIA did not have independent staff reconcile the transactions on the ASSIST Security Officer's Log report (VB9-173) with revised ASSIST (FIA-3720) Enrollment Profile Security forms.

Internal Control Criteria page 63 requires a complete reconciliation of the Security Officer's Log Report (VB9-173) with the ASSIST Enrollment Profile forms signed by management or supervision to provide assurance that changes to job profiles are authorized. Staff with inquiry only capability, or staff with update capability, but not the Security Coordinator, should perform the reconciliation.

WE RECOMMEND Ingham County FIA have staff other than the Security Coordinator reconcile the VB9-173 Reports with the FIA-3720's.

Review and Certification of the PF-011 and VB9-554

13. Ingham County FIA did not have supervisory staff review the Client Information Management System (CMIS) Operator Identification Report (PF-011) or the ASSIST Monthly User Listing (VB9-554).

Internal Control Criteria page 63 requires that management/supervision review the PF-011 and the VB9-554 reports and certify that the access on the reports agrees with the user's current job function.

WE RECOMMEND Ingham County FIA have management/supervision review the PF-011 and the VB9-554 in order to verify that access to CIMS and ASSIST agrees with current job functions for staff.

Reconciliation of the LASR Security Officer's Log (LR-853) Report

14. Ingham County FIA did not have staff reconcile the LASR Security Officer's Log (LR-853) report with the LASR Security Access Request (FIA-84).

Internal Control Criteria page 63, and L-letter 02-088-Systems require a complete reconciliation of the LASR Security Officer's Log Report (LR-853) with the LASR Security Access Requests (FIA-84).

WE RECOMMEND Ingham County FIA have staff reconcile the LR-853 with the FIA-84's.

IRS Information Security

Control of Forms to Maintain Confidentiality

15. Ingham County FIA did not follow FIA procedures for safeguarding the confidentiality of Internal Revenue Service (IRS) Data.

IRS forms that were to be delivered to the Designated Staff Person (DSP) by the mailroom and FIS/ES staff were placed in a letter holder in the fiscal office and subsequently collected by the DSP for safekeeping. This was to be done so the staff would not have to locate the DSP.

IRS forms should be delivered directly to the DSP in order to maintain the confidentiality of the IRS information as required by Program Administrative Manual (PAM) Item 803. The appointment of a backup DSP would help to facilitate delivery of the IRS forms in order to comply with confidentiality requirements.

WE RECOMMEND Ingham County FIA staff deliver the IRS forms to the Designated Staff Person.

WE ALSO RECOMMEND Ingham County FIA appoint a backup Designated Staff Person.

Payroll and Timekeeping

Payroll Certification

17. Ingham County FIA did not establish adequate control over the payroll certification and review process.

The time keepers at Ingham County FIA certified the payroll on the Data Collection Distribution System (DCDS) before the payroll was reviewed and approved by management responsible for certifying the payroll.

Internal Control Criteria page 57 requires that the payroll be certified on DCDS after the authorized certifier reviews and approves the Time and Attendance Summary Report (HR-332A).

WE RECOMMEND Ingham County FIA certify the payroll on the Data Collection Distribution System (DCDS) after the authorized certifier has reviewed and approved the payroll.

Payroll Reconciliation

16. Ingham County FIA did not reconcile the Time and Attendance Summary Report (HR-332A) with a Time and Attendance Summary Report (HR-332A) printed after the payroll had been certified on the Data Collection Distribution System (DCDS).

Internal Control Criteria page 54 states that the HR-332A printed on the first Friday of a pay period for the preceding pay period after it has been certified and released on DCDS be reconciled with the individual FIA-4299s (or approved alternatives).

WE RECOMMEND Ingham County FIA reconcile the Certified HR-332A with another HR-332A printed after the payroll has been certified on DCDS.

Procurement Card

No findings in this area